MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

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FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BET2014 – BUSINESS ETHICS

(All Sections / Groups)

17 OCTOBER 2018

2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 3 pages with **FOUR** (4) questions only.

2. Answer **ALL** questions. The distribution of marks for each question is given at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1

a)

As the largest producer of bottled spring water in the United States, Nestlé Waters North America (NWNA) faces a unique set of challenges related to managing a natural resource perceived by many as a public good. The company has faced criticism at its spring water sites in North America from community members who have two primary concerns.

They want to ensure that NWNA's water withdrawal does not have negative ecological impacts, and they want the opportunity to participate in decisions about their water resources. NWNA asked Business for Social Responsibility (BSR) to develop a siting and community-commitment framework in order to proactively manage site impacts, incorporate increased local input into the company's water-siting process, and increase the transparency of the company's siting efforts.

(Source: https://www.bsr.org/en/our-insights/case-study-view/nestle-waters-north-america-strengthening-dialogue-with-communities)

Identify **FIVE (5)** stakeholders from the above case study and explain how each of these five stakeholders will be affected.

(15 marks)

b) Board of Directors of companies that have failed to maintain a system of checks and balances have caused a loss of reputation and significant decline in the net worth of the companies. Discuss **FIVE (5)** responsibilities of the Board of Directors that address the relationship the board has with not only its shareholders, but all of its stakeholders.

(10 marks)

(Total: 25 marks)

Continued...

QUESTION 2

a)

BP is nearing the end of the $65bn (£47bn) Deepwater Horizon compensation process, it said as it announced an unexpectedly high payout of $1.7bn among the final few hundred outstanding claims.

The British oil firm said on Tuesday it would pay the $1.7bn charge in the last quarter of 2017 for court-ordered payments resulting from the worst oil spill in US history. It means BP will have paid out $3bn in compensation for 2017, compared with the $2bn anticipated.

The jump in spill-related costs is a reminder of how difficult it has been for the company to draw a line under Deepwater, eight years on from the Gulf of Mexico disaster, which affected everyone from fishermen to people working in tourism.

BP said the increase was partly due to a court ruling last year that tied the compensation to the company's revenues.

The average compensation ruling levied by the US body that imposes the payouts has increased seven-fold over the past year, suggesting the most expensive and tricky claims have been left till last.

(Source: https://www.theguardian.com/business/2018/jan/16/bps-deepwater-horizon-bill-tops-65bn)

Explain **FIVE (5)** direct and indirect effects of BP's Deepwater Horizon disaster on the environment.

(10 marks)

b) GWell Pharma is a fast growing pharmaceutical company founded less than ten years ago. All research and development on the drugs is done in-house by a team of qualified and experienced researchers. Research and development efforts are treated as highly private and confidential. Recently, the company has developed a new drug for cancer patients. The company has promised a handsome bonus if the drug is successful. Every communication that takes place within the facility is monitored electronically and most of the employees are not aware of the monitoring.

GWell Pharma has implemented electronic monitoring of employee's communication without their knowledge. Discuss the following:

(i) Is the electronic monitoring necessary? Why? Provide **THREE (3)** justifications to support your arguments.

(6 marks)

Continued...

(ii) Is the company's action ethical? Provide **THREE (3)** justifications to support your arguments. You may want to also discuss the impact of the action on other stakeholders, if any.

(9 marks)

(Total: 25 marks)

QUESTION 3

a) A former J.P. Morgan Chase employee who has been ordered to attend counselling for gambling has pleaded guilty to criminal charges that he stole more than $5 million from his employer to pay personal debts (Reuters, March 2017). Discuss any **FIVE (5)** factors that can affect the likelihood of an employee to commit fraud.

(10 marks)

b) As evident from the Enron case (the Houston-based energy company which committed fraud by overstating earnings), it is an ongoing challenge to ensure that firms produce accurate and reliable financial statements. Discuss any **FIVE (5)** ways management can manipulate financial statements or manage earnings.

(15 marks)

(Total: 25 marks)

QUESTION 4

a) An extension to Deming's Total Quality Management (TQM) approach to firms is Waddock and Bodwell's Total Responsibity Management (TRM). TRM argues that the vision of creators of the code of ethics must include the responsibilities that the firm has to its stakeholders and to the natural environment. There are three major stages in the TRM system. Identify these **THREE (3)** stages and explain them.

(15 marks)

b) Fraudulent activities reported include asset misappropriation, false pretences and counterfeiting. Explain **FOUR (4)** reasons why larger firms experience more fraud?

(10 marks)

(Total: 25 marks)

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